

SMITH COUNTY, KANSAS

Smith Center, Kansas

Primary Government Financial Statements
With Independent Auditors' Report

For the Year Ended December 31, 2006

SMITH COUNTY, KANSAS
Primary Government Financial Statements
With Independent Auditors' Report
For the Year Ended December 31, 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
Smith County, Kansas
218 S. Grant
Smith Center, Kansas 66967

We have audited the accompanying primary government financial statements of **Smith County, Kansas**, as of and for the year ended December 31, 2006, which collectively comprise the financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of **Smith County, Kansas'** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets of the aggregate discretely presented component units would have been reported as \$1,334,542.

As described more fully in Note 1, **Smith County, Kansas**, prepares its financial statements using accounting practices prescribed or permitted by the State of Kansas which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph and the second preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Smith County, Kansas**, as of December 31, 2006, or changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the primary government of **Smith County, Kansas**, as of December 31, 2006, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Adams, Brown Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

July 2, 2007

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SMITH COUNTY, KANSAS

**Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2006**

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Funds							
General Fund	\$ 116,892	-	1,162,257	1,177,470	101,679	51,653	153,332
Special Revenue Funds							
Road and Bridge Fund	170,458	-	1,924,736	1,774,378	320,816	80,438	401,254
Bridge Building Fund	19,682	-	-	-	19,682	-	19,682
Special Machinery Fund	9,855	-	121,000	-	130,855	-	130,855
Noxious Weed Fund	210,581	-	280,319	292,886	198,014	4,783	202,797
Health Fund	(1,595)	-	248,131	220,330	26,206	16,456	42,662
Appraiser's Cost Fund	31,475	-	94,647	119,417	6,705	34,202	40,907
Employee Benefit Fund	304,707	-	981,379	773,284	512,802	-	512,802
Hospital Maintenance Fund	3,565	-	155,341	151,000	7,906	-	7,906
Ambulance Service Fund	45,300	-	286,240	296,392	32,148	25,844	57,992
Mental Health Fund	-	-	23,032	23,032	-	-	-
Mental Retardation Fund	-	-	27,022	27,022	-	-	-
Special Alcohol Fund	16,542	-	8,946	5,000	20,488	-	20,488
911 Telephone Fund	13,123	-	29,241	17,291	25,073	-	25,073
E-911 Telephone Fund	13,397	-	53,602	70,922	(3,923)	-	(3,923)
Register of Deeds Technology Fund	9,647	-	4,702	3,602	10,747	-	10,747
EMS Grant Memorial Fund	3,920	-	20,297	10,408	13,809	-	13,809
Bridge Construction Grant Fund	-	-	291,404	291,404	-	-	-
Guest Tax Fund	832	-	5,679	-	6,511	-	6,511
Debt Service Fund	(12)	-	35,418	33,328	2,078	-	2,078
Bond and Interest Fund							
Proprietary Fund							
Enterprise Fund							
Solid Waste Fund	211,788	-	287,730	134,560	364,958	11,725	376,683
Fiduciary Fund							
Private Purpose Trust Funds							
Prosecuting Attorney's Training Fund	1,076	-	236	170	1,142	-	1,142
Special Motor Vehicle Fund	4,291	-	369,568	373,859	-	-	-
Total - Primary Government	\$ 1,185,524	-	6,410,927	5,798,755	1,797,696	225,101	2,022,797

Composition of Cash:

Certificates of Deposit	\$ 2,835,000
Checking Accounts	3,357,596
Cash on Deposit	6,192,596
Temporary Notes	212,500
Cash on Hand	46,138
Total Cash	6,451,234
Agency Funds Per Statement 4	(4,428,437)
Total Reporting Entity (Excluding Agency Funds)	\$ 2,022,797

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2006

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Funds					
General Fund	\$ 1,106,640	55,810	1,162,450	1,177,470	(15,020)
Special Revenue Funds					
Road and Bridge Fund	1,791,711	-	1,791,711	1,774,378	17,333
Noxious Weed Fund	397,245	-	397,245	292,886	104,359
Health Fund	235,200	-	235,200	220,330	14,870
Appraiser's Cost Fund	109,100	-	109,100	119,417	(10,317)
Employee Benefit Fund	1,001,250	-	1,001,250	773,284	227,966
Hospital Maintenance Fund	151,000	-	151,000	151,000	-
Ambulance Service Fund	303,410	-	303,410	299,392	4,018
Mental Health Fund	23,000	-	23,000	23,032	(32)
Mental Retardation Fund	27,000	-	27,000	27,022	(22)
Special Alcohol Fund	12,745	-	12,745	5,000	7,745
Debt Service Fund	35,328	-	35,328	33,328	2,000
Bond and Interest Fund					
Proprietary Fund					
Enterprise Fund					
Solid Waste Fund	269,000	-	269,000	134,560	134,440
Total - Primary Government	\$ 5,462,629	55,810	5,518,439	5,031,099	487,340

SMITH COUNTY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 922,892	994,448	979,676	14,772
Federal Aid	4,306	47,008	-	47,008
Licenses and Fees	50,282	47,819	34,900	12,919
Use of Money & Property	25,860	55,976	15,000	40,976
Transfers In	6,697	3,695	-	3,695
Reimbursements	-	8,802	-	8,802
Miscellaneous	49,105	4,509	10,700	(6,191)
Total Cash Receipts	1,059,142	1,162,257	1,040,276	121,981
Expenditures				
County Commissioners	51,485	59,584	51,956	(7,628)
County Clerk	56,977	57,169	63,940	6,771
County Treasurer	98,134	103,569	105,100	1,531
County Attorney	51,659	63,547	57,500	(6,047)
Register of Deeds	38,852	41,001	40,150	(851)
Sheriff	354,857	271,492	193,295	(78,197)
Dispatch	-	114,791	123,950	9,159
Court System	28,968	35,418	39,750	4,332
Courthouse General	242,371	237,275	222,577	(14,698)
Junior College Tuition	13,437	3,213	15,000	11,787
Area Agency on Aging	5,500	5,500	5,500	-
Juvenile Detention	2,135	1,015	3,000	1,985
CASA	3,500	3,500	3,500	-
Airport Maintenance	1,500	1,375	1,500	125
Emergency Preparedness	22,220	29,532	27,500	(2,032)
Soil Conservation	14,000	15,000	14,000	(1,000)
Free Fair	13,922	13,922	13,922	-
Extension Council	90,000	90,000	90,000	-
Historical Society	5,200	-	-	-
Election	13,673	30,567	34,500	3,933
(a) Budget Credit	-	-	55,810	55,810
Total Expenditures	1,108,390	1,177,470	1,162,450	(15,020)
Receipts Over (Under) Expenditures	(49,248)	(15,213)		
Unencumbered Cash, January 1	166,140	116,892		
Unencumbered Cash, December 31	\$ 116,892	101,679		
(a) Budget Credit				
Excess Federal Aid and Reimbursements Over Amount Budgeted		\$ 55,810		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
County Commissioners				
Personal Services	\$ 43,341	45,107	44,616	(491)
Contractual Services	5,776	6,711	6,140	(571)
Commodities	2,368	7,766	200	(7,566)
Capital Outlay	-	-	1,000	1,000
Department Total	51,485	59,584	51,956	(7,628)
County Clerk				
Personal Services	48,076	48,927	51,000	2,073
Contractual Services	5,233	4,334	6,440	2,106
Commodities	3,071	3,908	3,000	(908)
Capital Outlay	597	-	3,500	3,500
Department Total	56,977	57,169	63,940	6,771
County Treasurer				
Personal Services	95,941	102,067	100,000	(2,067)
Contractual Services	1,087	1,499	4,000	2,501
Capital Outlay	1,106	3	1,100	1,097
Department Total	98,134	103,569	105,100	1,531
County Attorney				
Personal Services	42,718	50,607	47,000	(3,607)
Contractual Services	3,727	5,825	4,150	(1,675)
Commodities	5,214	7,115	4,850	(2,265)
Capital Outlay	-	-	1,500	1,500
Department Total	51,659	63,547	57,500	(6,047)
Register of Deeds				
Personal Services	34,930	36,717	36,000	(717)
Contractual Services	3,291	3,808	3,750	(58)
Commodities	631	476	400	(76)
Department Total	38,852	41,001	40,150	(851)
Total Expenditures				
Carried Forward	\$ 297,107	324,870	318,646	(6,224)

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Expenditures Brought Forward	\$ 297,107	324,870	318,646	(6,224)
Sheriff				
Personal Services	219,836	148,655	126,897	(21,758)
Contractual Services	62,336	39,500	26,543	(12,957)
Commodities	40,138	26,544	29,211	2,667
Capital Outlay	32,547	56,793	10,644	(46,149)
Department Total	354,857	271,492	193,295	(78,197)
Dispatch				
Personal Services	-	99,807	95,603	(4,204)
Contractual Services	-	1,745	1,189	(556)
Commodities	-	11,817	7,677	(4,140)
Capital Outlay	-	1,422	19,481	18,059
Department Total	-	114,791	123,950	9,159
Court System				
Contractual Services	10,550	9,557	9,150	(407)
Commodities	3,579	5,061	8,500	3,439
Capital Outlay	7,577	2,743	5,600	2,857
Legal Cost	7,262	18,057	16,500	(1,557)
Department Total	28,968	35,418	39,750	4,332
Courthouse General				
Personal Services	15,257	16,516	15,175	(1,341)
Contractual Services	172,987	180,559	158,250	(22,309)
Commodities	17,503	17,155	8,200	(8,955)
Capital Outlay	34,554	20,810	40,952	20,142
Courthouse Repair	2,070	2,235	-	(2,235)
Department Total	242,371	237,275	222,577	(14,698)
Junior College Tuition	13,437	3,213	15,000	11,787
Area Agency on Aging	5,500	5,500	5,500	-
Juvenile Detention	2,135	1,015	3,000	1,985
CASA	3,500	3,500	3,500	-
Airport Maintenance	1,500	1,375	1,500	125
Emergency Preparedness	22,220	29,532	27,500	(2,032)
Total Expenditures Carried Forward	\$ 971,595	1,027,981	954,218	(73,763)

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Prior Year	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Expenditures Brought Forward	\$ 971,595	1,027,981	954,218	(73,763)
Soil Conservation	14,000	15,000	14,000	(1,000)
Free Fair	13,922	13,922	13,922	-
Extension Council	90,000	90,000	90,000	-
Historical Society	5,200	-	-	-
Election	13,673	30,567	34,500	3,933
(a) Budget Credit	-	-	55,810	55,810
Total Expenditures	\$ 1,108,390	1,177,470	1,162,450	(15,020)

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

Road and Bridge Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 1,074,344	1,366,745	1,369,272	(2,527)
State Aid	329,407	326,061	343,556	(17,495)
Collections	25,295	11,107	20,000	(8,893)
Reimbursements	-	106,981	-	106,981
Refunds	-	13,218	-	13,218
Total Cash Receipts	<u>1,429,046</u>	<u>1,824,112</u>	<u>1,732,828</u>	<u>91,284</u>
Expenditures				
Personal Services	603,354	582,751	690,000	107,249
Contractual Services	72,295	116,851	81,210	(35,641)
Commodities	405,830	426,682	641,200	214,518
Capital Outlay	286,663	292,427	318,301	25,874
Transfers Out	49,500	255,043	61,000	(194,043)
Total Expenditures	<u>1,417,642</u>	<u>1,673,754</u>	<u>1,791,711</u>	<u>117,957</u>
Receipts Over (Under) Expenditures	11,404	150,358		
Unencumbered Cash, January 1	<u>159,054</u>	<u>170,458</u>		
Unencumbered Cash, December 31	<u>\$ 170,458</u>	<u>320,816</u>		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Bridge Building Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Bridge Construction Revolving Loan	\$ 64,420	-
Expenditures		
Contractual Services	73,690	-
Receipts Over (Under) Expenditures	(9,270)	-
Unencumbered Cash, January 1	28,952	19,682
Unencumbered Cash, December 31	\$ 19,682	19,682

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Special Machinery Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 49,500	121,000
Expenditures		
Capital Outlay	49,500	-
Receipts Over (Under) Expenditures	-	121,000
Unencumbered Cash, January 1	9,855	9,855
Unencumbered Cash, December 31	\$ 9,855	130,855

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

Noxious Weed Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Favorable (Unfavorable)
Cash Receipts				
Taxes	\$ 99,375	35,774	38,382	(2,608)
State Aid	8,510	3,894	-	3,894
Chemical Sales	172,815	240,651	125,000	115,651
Total Cash Receipts	280,700	280,319	163,382	116,937
Expenditures				
Personal Services	44,589	57,009	55,000	(2,009)
Contractual Services	7,983	7,690	9,500	1,810
Commodities	176,524	221,218	206,200	(15,018)
Capital Outlay	7,098	6,969	7,000	31
(a) Budget Credit	-	-	119,545	119,545
Total Expenditures	236,194	292,886	397,245	104,359
Receipts Over (Under) Expenditures	44,506	(12,567)		
Unencumbered Cash, January 1	166,075	210,581		
Unencumbered Cash, December 31	\$ 210,581	198,014		
(a) Budget Credit				
Excess State Aid and Chemical Sales Over Amount Budgeted		\$ 119,545		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

Health Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Favorable (Unfavorable)
Cash Receipts				
Taxes	\$ 91,623	99,599	100,579	(980)
Federal Aid	16,942	21,024	12,000	9,024
State Aid	7,198	8,021	6,500	1,521
Intergovernmental	18,470	15,032	9,000	6,032
Collections	97,901	104,455	100,000	4,455
Total Cash Receipts	232,134	248,131	228,079	20,052
Expenditures				
Personal Services	176,155	171,971	185,000	13,029
Contractual Services	23,307	18,725	19,900	1,175
Commodities	24,417	27,247	29,300	2,053
Capital Outlay	4,147	2,387	1,000	(1,387)
Total Expenditures	228,026	220,330	235,200	14,870
Receipts Over (Under) Expenditures	4,108	27,801		
Unencumbered Cash, January 1	(5,703)	(1,595)		
Unencumbered Cash, December 31	\$ (1,595)	26,206		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

Appraiser's Cost Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 79,190	94,316	95,015	(699)
Miscellaneous	542	331	-	331
Total Cash Receipts	<u>79,732</u>	<u>94,647</u>	<u>95,015</u>	<u>(368)</u>
Expenditures				
Personal Services	67,246	80,527	85,000	4,473
Contractual Services	6,922	36,862	8,600	(28,262)
Commodities	2,572	2,028	3,500	1,472
Capital Outlay	4,216	-	12,000	12,000
Total Expenditures	<u>80,956</u>	<u>119,417</u>	<u>109,100</u>	<u>(10,317)</u>
Receipts Over (Under) Expenditures	(1,224)	(24,770)		
Unencumbered Cash, January 1	<u>32,699</u>	<u>31,475</u>		
Unencumbered Cash, December 31	\$ <u>31,475</u>	<u>6,705</u>		

The notes to the financial statements are an integral part of this statement.

**- SMITH COUNTY, KANSAS
Employee Benefit Fund**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Taxes	\$ 1,297,757	978,289	994,613	(16,324)
Collections	11	3,090	-	3,090
Total Cash Receipts	<u>1,297,768</u>	<u>981,379</u>	<u>994,613</u>	<u>(13,234)</u>
Expenditures				
Social Security	102,492	111,100	120,000	8,900
Employee Retirement	50,838	63,099	63,250	151
Workmen's Comp. Insurance	55,653	61,002	68,000	6,998
Health Insurance	498,381	538,083	750,000	211,917
Total Expenditures	<u>707,364</u>	<u>773,284</u>	<u>1,001,250</u>	<u>227,966</u>
Receipts Over (Under) Expenditures	590,404	208,095		
Unencumbered Cash, January 1	<u>(285,697)</u>	<u>304,707</u>		
Unencumbered Cash, December 31	\$ <u>304,707</u>	<u>512,802</u>		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Hospital Maintenance Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 160,260	149,386	149,091	295
Miscellaneous	-	5,955	-	5,955
Total Cash Receipts	<u>160,260</u>	<u>155,341</u>	<u>149,091</u>	<u>6,250</u>
Expenditures				
Appropriations	<u>161,000</u>	<u>151,000</u>	<u>151,000</u>	<u>-</u>
Receipts Over (Under) Expenditures	(740)	4,341		
Unencumbered Cash, January 1	<u>4,305</u>	<u>3,565</u>		
Unencumbered Cash, December 31	\$ <u>3,565</u>	<u>7,906</u>		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

Ambulance Service Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 168,060	181,380	182,398	(1,018)
Collections	119,302	104,860	88,250	16,610
Miscellaneous	12,346	-	-	-
Total Cash Receipts	<u>299,708</u>	<u>286,240</u>	<u>270,648</u>	<u>15,592</u>
Expenditures				
Personal Services	165,409	201,901	185,000	(16,901)
Contractual Services	40,782	44,541	35,410	(9,131)
Commodities	28,428	26,505	18,000	(8,505)
Capital Outlay	26,186	26,445	65,000	38,555
Total Expenditures	<u>260,805</u>	<u>299,392</u>	<u>303,410</u>	<u>4,018</u>
Receipts Over (Under) Expenditures	38,903	(13,152)		
Unencumbered Cash, January 1	<u>6,397</u>	<u>45,300</u>		
Unencumbered Cash, December 31	\$ <u>45,300</u>	<u>32,148</u>		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

Mental Health Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 22,848	23,032	23,000	32
Expenditures				
Appropriations	22,848	23,032	23,000	(32)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, January 1	-	-		
Unencumbered Cash, December 31	\$ -	-		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

Mental Retardation Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 26,825	27,022	27,000	22
Expenditures				
Appropriations	26,825	27,022	27,000	(22)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, January 1	-	-		
Unencumbered Cash, December 31	\$ -	-		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

Special Alcohol Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Intergovernmental	\$ 11,407	8,946	10,030	(1,084)
Expenditures				
Contractual Services	10,000	5,000	10,745	5,745
Commodities	-	-	2,000	2,000
Total Expenditures	10,000	5,000	12,745	7,745
Receipts Over (Under) Expenditures	1,407	3,946		
Unencumbered Cash, January 1	15,135	16,542		
Unencumbered Cash, December 31	\$ 16,542	20,488		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Ambulance Service Building Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Temporary Note Proceeds	\$ 269	-
Total Cash Receipts	<u>269</u>	<u>-</u>
Expenditures		
Capital Outlay	26,497	-
Transfers Out	<u>6</u>	<u>-</u>
Total Expenditures	<u>26,503</u>	<u>-</u>
Receipts Over (Under) Expenditures	(26,234)	-
Unencumbered Cash, January 1	<u>26,234</u>	<u>-</u>
Unencumbered Cash, December 31	\$ <u><u>-</u></u>	<u><u>-</u></u>

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
911 Telephone Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Collections	\$ 13,741	29,241
Expenditures		
Commodities	<u>8,210</u>	<u>17,291</u>
Receipts Over (Under) Expenditures	5,531	11,950
Unencumbered Cash, January 1	<u>7,592</u>	<u>13,123</u>
Unencumbered Cash, December 31	\$ <u><u>13,123</u></u>	<u><u>25,073</u></u>

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
E-911 Telephone Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
State Aid	\$ 42,130	51,000
Collections	<u>11,943</u>	<u>2,602</u>
Total Cash Receipts	54,073	53,602
Expenditures		
Commodities	<u>43,398</u>	<u>70,922</u>
Receipts Over (Under) Expenditures	10,675	(17,320)
Unencumbered Cash, January 1	<u>2,722</u>	<u>13,397</u>
Unencumbered Cash, December 31	\$ <u><u>13,397</u></u>	<u><u>(3,923)</u></u>

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Register of Deeds Technology Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Collections	\$ 4,688	4,702
Expenditures		
Capital Outlay	<u>564</u>	<u>3,602</u>
Receipts Over (Under) Expenditures	4,124	1,100
Unencumbered Cash, January 1	<u>5,523</u>	<u>9,647</u>
Unencumbered Cash, December 31	\$ <u><u>9,647</u></u>	<u><u>10,747</u></u>

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
EMS Grant Memorial Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid	\$ -	10,000
State Aid	-	5,110
EMS Equipment Safety Grant	660	2,500
Memorials	3,533	2,687
Total Cash Receipts	4,193	20,297
Expenditures		
Contractual Services	273	10,408
Receipts Over (Under) Expenditures	3,920	9,889
Unencumbered Cash, January 1	-	3,920
Unencumbered Cash, December 31	\$ 3,920	13,809

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Bridge Construction Grant Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid	\$ 3,396	217,373
Transfers In	-	134,043
	<u>3,396</u>	<u>351,416</u>
Total Cash Receipts		
	<u>3,396</u>	<u>351,416</u>
Expenditures		
Contractual Services	3,396	425,447
	<u>-</u>	<u>(74,031)</u>
Receipts Over (Under) Expenditures		
	-	(74,031)
Unencumbered Cash, January 1	<u>-</u>	<u>-</u>
Unencumbered Cash, December 31	<u>\$ -</u>	<u>(74,031)</u>

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

Guest Tax Fund

Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Guest Tax	\$ 832	5,679
Receipts Over (Under) Expenditures	832	5,679
Unencumbered Cash, January 1	-	832
Unencumbered Cash, December 31	\$ 832	6,511

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Bond and Interest Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 33,190	35,418	35,643	(225)
Transfers In	6	-	-	-
Total Cash Receipts	<u>33,196</u>	<u>35,418</u>	<u>35,643</u>	<u>(225)</u>
Expenditures				
Temporary Note Principal	27,500	27,500	27,500	-
Temporary Note Interest	6,516	5,828	5,828	-
Cash Basis Reserve	-	-	2,000	2,000
Total Expenditures	<u>34,016</u>	<u>33,328</u>	<u>35,328</u>	<u>2,000</u>
Receipts Over (Under) Expenditures	(820)	2,090		
Unencumbered Cash, January 1	<u>808</u>	<u>(12)</u>		
Unencumbered Cash, December 31	\$ <u>(12)</u>	<u>2,078</u>		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS

Solid Waste Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 258,378	216,579	225,000	(8,421)
Collections	-	38,788	50,000	(11,212)
Land Rent	5,824	2,303	-	2,303
Refund	-	16,671	-	16,671
Miscellaneous	6,839	13,389	-	13,389
Total Cash Receipts	<u>271,041</u>	<u>287,730</u>	<u>275,000</u>	<u>12,730</u>
Expenditures				
Personal Services	67,925	70,051	74,000	3,949
Contractual Services	23,250	26,510	50,000	23,490
Commodities	18,039	19,199	20,000	801
Capital Outlay	131,480	18,800	125,000	106,200
Total Expenditures	<u>240,694</u>	<u>134,560</u>	<u>269,000</u>	<u>134,440</u>
Receipts Over (Under) Expenditures	30,347	153,170		
Unencumbered Cash, January 1	<u>181,441</u>	<u>211,788</u>		
Unencumbered Cash, December 31	\$ <u>211,788</u>	<u>364,958</u>		

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Prosecuting Attorney's Training Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 215	236
Expenditures		
Payments to Other Governments	37	170
Receipts Over (Under) Expenditures	178	66
Unencumbered Cash, January 1	898	1,076
Unencumbered Cash, December 31	\$ 1,076	1,142

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Special Motor Vehicle Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 354,316	369,568
Expenditures		
Payments to Other Governments	343,328	357,823
Transfers Out	6,697	16,036
Total Expenditures	350,025	373,859
Receipts Over (Under) Expenditures	4,291	(4,291)
Unencumbered Cash, January 1	-	4,291
Unencumbered Cash, December 31	\$ 4,291	-

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Special Law Enforcement Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Expenditures		
Commodities	\$ 76	-
Receipts Over (Under) Expenditures	(76)	-
Unencumbered Cash, January 1	76	-
Unencumbered Cash, December 31	\$ -	-

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Distributable Funds, State Funds, and Subdivision Funds
Statement of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2006

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Distributable Funds				
Advance Tax	\$ -	12,751	12,751	-
Current Tax	4,061,396	6,577,877	6,468,985	4,170,288
Delinquent Personal Property	6,766	10,822	8,486	9,102
Real Estate Redemptions	48,732	39,140	54,623	33,249
Motor Vehicle Tax	123,102	636,523	632,243	127,382
Total Distributable Funds	<u>4,239,996</u>	<u>7,277,113</u>	<u>7,177,088</u>	<u>4,340,021</u>
State Funds				
State Institutional Building	-	19,981	19,981	-
State Educational Building	-	39,962	39,962	-
Drivers Licenses	5,732	16,110	14,025	7,817
Total State Funds	<u>5,732</u>	<u>76,053</u>	<u>73,968</u>	<u>7,817</u>
Subdivision Funds				
Cities	-	920,094	920,623	(529)
Townships	-	118,090	117,860	230
School Districts	-	1,553,934	1,553,934	-
Irrigation Districts	-	275,181	275,181	-
Other Special Districts	-	36,793	36,793	-
Cemeteries	5	16,323	16,234	94
Total Subdivision Funds	<u>\$ 5</u>	<u>2,920,415</u>	<u>2,920,625</u>	<u>(205)</u>

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Agency Funds
Statement of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2006

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
	\$			
Courthouse Clock	50	-	-	50
Payroll Withholding	8,228	260,753	260,726	8,255
Smith County Veteran Memorial	5,079	900	1,095	4,884
Sales Tax	9,290	161,730	159,985	11,035
Game Licenses	-	16,122	16,171	(49)
Heritage Trust	143	1,056	906	293
Diversion Fee	5,255	475	-	5,730
Escrow	21,823	114,270	103,904	32,189
Consealed Weapon	-	120	-	120
Sheriff Vins	-	2,660	2,198	462
County Clerk	-	1,920	1,920	-
Register of Deeds	47	42,123	42,094	76
Clerk of District Court	9,570	107,659	99,530	17,699
Sheriff	982	14,910	15,832	60
	<u>\$ 60,467</u>	<u>724,698</u>	<u>704,361</u>	<u>80,804</u>

The notes to the financial statements are an integral part of this statement.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2006

1. Summary of Significant Accounting Policies

The County has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

A. Financial Reporting Entity

Smith County, Kansas, is a municipal corporation governed by an elected three-member commission. The County receives funding from local, state, and federal government sources and must comply with the requirements of those funding sources. These financial statements present **Smith County, Kansas**, the primary government, and none of its component units.

Smith County, Kansas is the primary government as defined in GASB #14 and further amended by GASB #39. The County's Commissioners are elected by the public. They have the authority to make decisions, levy taxes, influence operations and have the primary accountability in fiscal matters.

The following are component units of **Smith County, Kansas**. The County exercises significant influence or accountability based primarily on operational or financial relationships with the County (as distinct from legal relationships).

Smith County Memorial Hospital - Smith County Memorial Hospital Board operates the County's Hospital. The Hospital can sue and be sued, and can buy, sell, or lease real property. The County annually levies a tax for the Hospital. Bond issues must be approved by the County.

Smith County Extension Council - Smith County Extension Council provides services in such areas as agriculture, home economics, and 4-H Club to all persons in the County. The District is an elected four member executive board. The County annually provides significant operating subsidies to the Council that make the Council financially dependent on the County.

B. Basis of Presentation – Fund Accounting

The accounts of the government are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the County for the year ended December 31, 2006.

Governmental Funds

General Fund – reports as the primary fund of the County. This fund is used to account for all financial resources not reported in other funds.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

Debt Service Fund - to account for the accumulation of resources for and the payment of interest and principal on general long-term debt.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2006

B. Basis of Presentation – Fund Accounting (cont.)

Proprietary Fund

Enterprise Fund - to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Agency Funds - to account for fiduciary assets held by the County in a custodial capacity as an agent on behalf of others.

Private Purpose Trust Funds - to account for assets held by governmental unit as trustee or agent, for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The County has approved a resolution that is in compliance with K.S.A. 75-1120(a)(c), waiving the requirement for application of generally accepted accounting principles and allowing the County to use the Statutory Basis of Accounting.

D. Departure from Generally Accepted Accounting Principles in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. General capital assets that account for the land, buildings, and equipment owned by the County are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

E. Accounting for Capital Assets and Depreciation

The County does not maintain a record of capital assets used in performance of general government operations and the proprietary funds as required by generally accepted accounting principles.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2006

F. Accounting for Long-Term Liabilities

The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and fiduciary funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Long-term liabilities expected to be financed from governmental funds are not accounted for in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

G. Budgets

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The general fund budget was amended for 2006.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for fiduciary funds and the following special revenue funds:

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2006

G. Budgets (cont.)

Bridge Building Fund, Special Machinery Fund, Ambulance Service Building Fund, 911 Telephone Fund, E-911 Telephone Fund, Register of Deeds Technology Fund, EMS Grant Memorial Fund, Bridge Construction Grant Fund and the Guest Tax Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

H. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

I. Deposits and Investments

The County follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the Summary of Cash Receipts, Cash Disbursements and Unencumbered Cash.

As of December 31, 2006, the County had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the County. The statute requires banks eligible to hold the County's funds have a main or branch bank in the county in which the County is located or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The County has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the County's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The County has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the County may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require the County's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The County properly used "peak periods" during 2006. All deposits were legally secured at December 31, 2006.

At December 31, 2006, the County's carrying amount of deposits was \$6,451,234 and the bank balance was \$6,257,980. Of the bank balance, \$5,453,100 was covered by federal depository insurance and with securities held by the pledging financial institutions' agents in the County's name. The remaining \$804,880 was uncollateralized deposits. The County has designated and properly used peak periods as provided by K.S.A. 9-1403.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2006

J. Property Tax Calendar

Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major property tax payments are received January through July and are recognized as revenue in the year received.

K. Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by state statutes.

L. Compensated Absences

Employees of Smith County earn one (1) day of vacation time and eight (8) hours of sick leave per month of employment. Vacation time is not allowed until one year of employment is completed. The County's policies regarding vacation and sick pay permit employees to accumulate a maximum of 24 days vacation time and a maximum accumulation of one hundred (100) days sick pay. Unused vacation time due to an employee who terminates employment with the County will be paid on the payroll following the final date of employment. The amount of accumulated vacation time as of December 31, 2006 totaled \$60,966. Accumulated sick leave over thirty (30) days shall be paid to the employee upon termination of employment at the regular rate of pay, at the rate of four (4) hours pay for each day credited. The potential accrued sick leave liability as of December 31, 2006 is approximately \$57,059.

Employees of Smith County in the Sheriff's Department may accrue a maximum of four hundred eighty (480) hours of compensatory time. Employees performing work that does not include the preceding activities may accrue a maximum of two hundred forty (240) hours of compensatory time. Compensatory time off will be paid for the unused time upon termination of employment. Employees may use compensatory time accrued. Compensatory time is paid at time and a half of the employee's base wage. Accrued compensatory time as of December 31, 2006 was \$4,085.

M. Defined Benefit Pension Plan

Plan Description – The County participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2006 is 4.61% from January 1, 2006 through June 30, 2006 and 4.81% from July 1, 2006 through December 31, 2006.

The Smith County employer contributions to KPERS for the years ending December 31, 2006, 2005, and 2004 were \$63,138, \$50,517, and \$50,631, respectively, equal to the statutory required contributions for each year.

N. Deferred Compensation Plan

The County sponsors a deferred compensation plan under the Internal Revenue Code Section 457(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The County is not responsible to make any contributions.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2006

O. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the County allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the County is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the County makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the County for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program

P. Reimbursements

The County records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund.

2. Closure and Postclosure Care Cost

State and federal laws and regulations require that **Smith County, Kansas** place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty (30) years after closure. The current year expenditures relating to the operation of the landfill are provided in the Solid Waste Fund in these financial statements.

The estimate of closure and postclosure care liability at year end would be \$78,588. This liability is based on the use of 17.23% of the estimated cost of closure and postclosure care of \$456,111 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. The County expects the landfill to continue to operate indefinitely. Actual costs may be higher due to inflation, changes in technology or in regulations. The County is not required to currently accumulate funds to pay the future costs of closure and postclosure, and has not done so. These future costs will be met when due by the allocation of general tax revenues, the issuance of debt, or both.

The County has a Municipal Solid Waste Landfill that was closed February 26, 1999. State and federal laws and regulations require **Smith County, Kansas** to perform certain maintenance and monitoring functions at the landfill site for thirty (30) years after closure. The County recognized monitoring and maintenance cost along with final closure costs of \$5,773 for 2006.

The County is meeting the financial assurance requirements through the Local Government Financial Test. This test involves four components: financial, public notice, recordkeeping and reporting, and calculation of costs to be assured. The County has satisfied all four requirements.

3. Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects, and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas Statutes. The County's operating transfers and statutory authority for December 31, 2006 were as follows:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
Road and Bridge	Special Machinery	K.S.A. 68-141g	\$ 121,000
Road and Bridge	Bridge Construction Grant	K.S.A. 68-141g	134,043
			<u>\$ 255,043</u>

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2006

4. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Risk Management – Claims and Judgements

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The County carries commercial insurance for other risks of loss, including property, general liability, inland marine, workmen's compensation, crime, umbrella, automobile, and fidelity bond coverage.

The County has elected not to obtain comprehensive and collision coverage on various County owned motor vehicles, due to the age of the vehicle.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Smith County, Kansas also participates in the Kansas Workers Risk Cooperative for Counties (KWORC) to provide workers compensation insurance. The County joined KWORC in January 2005. The County, along with other participating counties, contributes annual amounts determined by KWORC management. As claims arise they are submitted to and paid by KWORC. During 2006, the County contributed \$57,975 to the fund for this insurance coverage. There were no significant reductions in insurance coverage from the prior year. The amount of settlements have not exceeded insurance coverage for each of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At December 31, 2006, the financial statements do not include liabilities for anticipated costs.

County employees were covered by a health insurance plan. Coverage under the plan requires that the employer reimburse the plan administrator for claims incurred for employees in excess of amounts outlined in the contract.

Liabilities for claims incurred prior to December 31, 2006 and paid prior to the date of the report have been properly included as liabilities of the Employee Benefit Fund.

6. Litigation

The County is party to various legal proceedings, such as foreclosure actions and tax appeals, which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the funds of the County.

7. Grants and Shared Revenues

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the County, any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2006

8. Comparative Data

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the County's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

9. Compliance with Kansas Statutes

Expenditures exceeded available monies in the following funds, which is in violation of K.S.A. 10-1113:

E911 Fund	\$(3,923)
Smith Center City General Fund	\$ (529)
Game and License Fund	\$ (49)

Expenditures exceeded budgeted limits in the following funds, which is in violation of K.S.A. 79-2935:

General Fund	\$(15,020)
Appraiser's Cost Fund	\$(10,317)

10. Long-Term Debt

The County has the following types of Long Term Debt:

Lease Obligations

The County has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

Revolving Loan

The County enacted a \$64,420 revolving loan agreement on December 27, 2004 with the Kansas Department of Transportation acting on behalf of the State of Kansas to finance the Cedar Bridge Project.

Temporary Notes

The County issued temporary notes pursuant to Kansas Statutes for the financing of the Emergency Medical Service building project.

Changes in long-term liabilities for the County at December 31, 2006 and current maturities of long-term debt and interest for the next five years and in five year increments through maturity are included on the next two pages.

SMITH COUNTY, KANSAS

Statement of Changes in Long Term Debt
For the Year Ended December 31, 2006

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Capital Leases										
General Fund										
IBM 9406 Computer & AS400 Software	6.50%	04/02/01	\$ 128,725	04/02/06	14,819	-	(14,819)	(14,819)	-	362
5 M100 ES+S Election Machines	5.95%	07/24/06	20,177	07/24/09	-	20,177	-	20,177	20,177	-
3 Carrier 2 1/2 Ton Air Conditioner Units	5.00%	10/16/06	17,500	10/16/07	-	17,500	-	17,500	17,500	-
(4) Fujitsu Scanners	5.50%	01/10/05	48,000	01/10/10	48,000	-	(8,242)	(8,242)	37,758	2,530
Total General Fund			<u>212,402</u>		<u>60,819</u>	<u>37,677</u>	<u>(23,061)</u>	<u>14,616</u>	<u>75,435</u>	<u>2,892</u>
Noxious Weed Fund										
2002 GMC Sierra Pickup	6.00%	09/23/03	24,200	09/23/06	6,588	-	(6,588)	(6,588)	-	381
Road and Bridge Fund										
(2) 1998 CAT 140H Graders (refinance)	3.95%	03/10/03	170,022	08/25/08	44,084	-	(44,084)	(44,084)	-	1,742
1999 JD Grader (refinance)	3.95%	03/10/03	77,124	08/25/06	20,002	-	(20,002)	(20,002)	-	790
CAT Wheel Loader	4.00%	11/08/02	67,066	01/01/08	17,776	-	(17,776)	(17,776)	-	535
CAT RM-350B Reclaimer	3.50%	12/30/02	248,164	01/01/08	172,013	-	(35,803)	(35,803)	136,210	6,020
Cat Motor Grader -140G	3.75%	05/09/03	50,175	04/24/07	26,011	-	(12,766)	(12,766)	13,245	975
1988 Cat 12H Motorgrader	3.25%	09/15/03	49,778	09/15/08	30,817	-	(9,945)	(9,945)	20,872	1,002
1988 140H Cat Motorgrader	4.00%	12/08/03	104,800	12/08/05	65,352	-	(20,927)	(20,927)	44,425	2,407
JCB 214 III Loader	3.90%	07/29/02	82,492	07/29/06	14,557	-	(14,557)	(14,557)	427	427
Cat Blade 97ND0608	4.50%	02/09/04	100,000	02/17/09	72,299	-	(19,521)	(19,521)	52,778	3,036
Daewoo Wheel Loader	4.00%	05/10/04	129,000	05/10/09	105,183	-	(24,770)	(24,770)	80,413	4,207
Cat 963 Loader SN BBD02778	5.25%	08/04/06	209,219	08/04/11	-	209,219	-	209,219	209,219	-
Total Road and Bridge Fund			<u>1,267,840</u>		<u>568,104</u>	<u>209,219</u>	<u>(220,161)</u>	<u>(10,942)</u>	<u>557,162</u>	<u>21,141</u>
Total General and Special Revenue Funds										
			<u>1,504,442</u>		<u>635,511</u>	<u>246,896</u>	<u>(249,810)</u>	<u>(2,914)</u>	<u>632,597</u>	<u>24,414</u>
Proprietary Fund										
CAT 613 Scraper-Previously reported	5.50%	06/18/01	191,568	06/18/08	77,343	-	-	-	77,343	-
Less Correction			-		(77,343)	-	-	-	(77,343)	-
CAT 2006 Wheel Tractor Scraper Model 613 II	5.00%	12/26/06	220,555	12/26/09	-	220,555	-	220,555	220,555	-
Total Proprietary Fund			<u>412,123</u>		<u>-</u>	<u>220,555</u>	<u>-</u>	<u>220,555</u>	<u>220,555</u>	<u>-</u>
Total Capital Leases										
			<u>1,916,565</u>		<u>635,511</u>	<u>467,451</u>	<u>(249,810)</u>	<u>217,641</u>	<u>853,152</u>	<u>24,414</u>
Revolving Loan										
KDOT Revolving Loan - Bridge Construction	3.62%	5/9/2005	64,420	08/01/14	57,367	-	(5,450)	(5,450)	51,917	2,077
Temporary Notes										
EMS Construction Note	2.50%	6/22/2004	295,000	04/01/08	240,000	-	(27,500)	(27,500)	212,500	5,828
Total Contractual Indebtedness			<u>2,275,985</u>		<u>932,878</u>	<u>467,451</u>	<u>(282,760)</u>	<u>184,691</u>	<u>1,117,569</u>	<u>32,319</u>
Amount to be Provided for Compensated Absences										
			<u>N/A</u>		<u>48,203</u>	<u>8,856</u>	<u>-</u>	<u>8,856</u>	<u>57,059</u>	<u>-</u>
Total Long Term Debt										
			<u>\$ 2,275,985</u>		<u>\$ 981,081</u>	<u>476,307</u>	<u>(282,760)</u>	<u>193,547</u>	<u>1,174,628</u>	<u>32,319</u>

SMITH COUNTY, KANSAS
Schedule of Maturity of Long Term Debt
For the Year Ended December 31, 2006

Principal Capital Leases	Issue	Year					Total
		2007	2008	2009	2010	2011 - 2014	
General Fund	5 M100 ES+S Election Machines	6,341	6,718	7,118	-	-	20,177
	3 Carrier 2 1/2 Ton Air Conditioner Units	17,500	-	-	-	-	17,500
	(4) Fujitsu Scanners	8,695	9,174	9,678	10,211	-	37,758
	Total General Fund	32,536	15,892	16,796	10,211	-	75,435
Road and Bridge Fund	CAT RM-350B Reclaimer	37,057	99,153	-	-	-	136,210
	Cat Motor Grader -140G	13,245	-	-	-	-	13,245
	1988 Cat 12H Motorgrader	10,270	10,602	-	-	-	20,872
	1988 140H Cat Motorgrader	21,773	22,652	-	-	-	44,425
	Cat Blade 9TN00608	20,409	21,338	11,031	-	-	52,778
	Daewoo Wheel Loader	25,760	26,791	27,862	-	-	80,413
	CAT 963 Loader SN BBD02778	37,675	39,563	41,734	43,926	46,321	209,219
	Total Road and Bridge Fund	166,189	220,099	80,627	43,926	46,321	557,162
Proprietary Fund	Total General & Special Revenue Funds	198,725	235,991	97,423	54,137	46,321	632,597
	CAT 613 Scraper-Previously Reported	31,158	16,672	-	-	-	47,830
	Less Correction	(31,158)	(16,672)	-	-	-	(47,830)
	CAT 2006 Wheel Tractor Scraper Model 613 II	69,962	73,460	77,133	-	-	220,555
	Total Proprietary Fund	69,962	73,460	77,133	-	-	220,555
Revolving Loan	Total Capital Leases	268,687	309,451	174,556	54,137	46,321	853,152
	KDOT Revolving Loan - Bridge Construction	5,661	5,880	6,107	6,344	27,925	51,917
	Temporary Notes	27,500	185,000	-	-	-	212,500
Interest	EMS Construction Note	301,848	500,331	180,663	60,481	74,246	1,117,569
	Total Principal	39,033	26,841	13,661	5,295	2,427	87,257
	Capital Leases	1,879	1,674	1,462	1,241	1,011	7,267
Total Interest	Revolving Loan	5,410	2,313	-	-	-	7,723
	Temporary Notes	46,322	30,828	15,123	6,536	3,438	102,247
	Total Principal and Interest	348,170	531,159	195,786	67,017	77,684	1,219,816